



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/23/2004

GAIN Report Number: AS4004

Australia

Tree Nuts

Annual

2004

Approved by:

Andrew C. Burst, Agricultural Counselor
U.S. Embassy

Prepared by:

Mike Darby, Agricultural Specialist

Report Highlights:

Macadamia production in 2004/05 is forecast at a record 37,000 MT (in-shell basis), up 7,000 MT from the previous year. A return to more normal weather conditions and increased numbers of bearing trees have contributed to the sharp increase in production. Production in 2005/06 is projected to increase to 38,500 MT (in-shell basis) as the number of bearing trees continues to increase. Post projects exports increasing in line with production; however, a sharply higher Australian dollar will dampen export returns.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

General

Macadamia nuts are the principal tree nut crop grown in Australia. The macadamia tree is native to Australia and is typically harvested from March onwards. Post uses a March-February reporting year so that the crop to be harvested in March 2004 is included in the 2004/05 year. However, this crop was mostly growing in the previous year. Most of Australia's macadamia nuts are grown on the east coast of Australia between northern New South Wales and the central Queensland.

According to industry estimates, the number of macadamia growers in Australia is currently estimated at around 800. The number of commercially bearing macadamia trees in Australia is estimated at around 4.1 million, covering an area of about 14,000 hectares. Industry estimates suggest that approximately 45 percent of trees are mature (over 15 years old), 30 percent are in the early bearing stage and that 25 percent are not yet bearing.

Production

Post projects production in 2005/06 at a record 38,500 MT, on a nut-in-shell (NIS) basis, assuming normal weather conditions. Industry reports state that new plantations coming into production will likely drive future production increases. Despite a lack of available information on tree numbers, industry sources indicate that new plantings are still occurring and that the industry is expected to grow in size over the next five years.

Total macadamia nut production in Australia in 2004/05 is estimated at 37,000 MT (NIS), slightly under the previous projection. If achieved, this would represent an all time record crop. A return to more normal climatic conditions toward the second half of CY 2003 has allowed tree yields to return to more normal levels.

Production for the 2003/04 year is estimated at 30,000 MT (NIS), slightly higher than industry's original estimate of 29,700 MT. Dry hot weather in the lead up to harvest dramatically reduced yield on a per tree basis. Although some areas were affected worse than others, national production was greatly reduced as a result of poor climatic conditions.

Industry sources believe that the medium term potential for Australian macadamia production is closer to 40,000 MT (NIS). New plantings are expected to continue to come into production over the next five years and this is expected to increase annual production incrementally.

AUSTRALIAN MACADAMIA PRODUCTION (Metric Tons, NIS)									
1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
19,000	17,500	20,500	25,400	26,500	33,000	29,500	34,800	30,200	29,700
<i>Source: Australian Macadamia Society. Note: Calendar year 2000 matches MY 2000/01</i>									

Exports

Total macadamia exports are forecast at 29,500 MT (NIS) in 2005/06. This forecast is considered historically high and driven by the anticipated record crop. Post projects exports to continue growing in the medium term in line with industry projections of continued strong growth in production. Australia's major export markets are Japan, the EU, the United States and Hong Kong.

Total macadamia exports for 2004/05 are estimated at 28,000 MT (NIS), unchanged from Post's previous estimate. Industry sources expect firm export demand in most major markets, continuing the trend of strong export growth.

Post has revised the 2003/04 export figure to 23,166 MT in line with year-to-date Australian Bureau of Statistics (ABS) data. Lower than anticipated production did little to constrain exports in a year when a low Australian dollar provided an incentive to export. Post projects lower than previously expected domestic consumption to contribute to stronger exports.

Prices

Macadamia prices have increased significantly in recent years, after suffering a lull in the late 1990's. The more recent price increases are likely to ease in 2004/05, due to a sharply higher Australian dollar.

AUSTRALIAN MACADAMIA PRICES (NIS at 10% moisture)									
1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
2.80	3.00	3.05	2.7	2.45	2.25	2.12	2.45	2.75	3.20
Source: Australian Macadamia Society. Note: Prices are in Australian dollars/kg farm gate									

Australia's competitiveness in world export markets and returns to domestic producers are heavily impacted by the exchange rate of the Australian dollar. Of late, the Australian dollar has appreciated significantly against the U.S. dollar, and to a lesser extent against other major currencies. The Australian dollar is currently valued at just under US\$0.80. The Australian dollar averaged US\$0.652 in 2003, US\$0.544 in 2002, and US\$0.518 in 2001.

Policy

Australia US Free Trade Agreement (FTA)

Australia and the United States recently concluded free trade agreement negotiations. The Australian Department of Foreign Affairs and Trade reports an FTA would provide zero tariff access for Australia's fresh macadamia nuts to the United States.

Industry Levy

Industry activities are funded via a levy applied to all macadamia nuts produced within Australia. This levy is set at a rate of 25.2 c/kg (Australian, kernel basis). Of this, approximately 17.3 c/kg is collected for promotional activities, 7.2 c/kg is collected for research activities, and 0.63 c/kg is collected to fund chemical residue testing.

Representation

The "Australian Macadamia Society" (AMS) is the peak representative body for the Australian macadamia industry. The AMS purports to have around 760 members who are mostly growers, along with a smaller contingent of processors and marketers. The AMS estimates that 90 percent of Australian growers are members and that these growers account for approximately 96 percent of total production.

The AMS determines industry priorities in the areas of promotion and research. These services are subsequently provided through Australia's horticultural industry service provider, Horticulture Australia Limited (HAL).

Marketing

The Australian macadamia industry raises considerable funds through its industry levy. A portion of these funds is committed to the generic promotion of macadamia nuts, both domestically and internationally. According to industry figures, the EU market receives the highest level of promotional funding of all export markets. The Japanese and U.S. markets receive the second and third largest levels of promotional funding respectively.

SECTION TWO: STATISTICAL TABLES

Australia							
Macadamia, Inshell Basis							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		03/2003		03/2004		03/2005	MM/YYYY
Area Planted	16578	16578	17578	17578	0	18000	(HA)
Area Harvested	13264	13264	13500	13500	0	14000	(HA)
Bearing Trees	3528	3528	3728	3728	0	4100	(1000 TREES)
Non-Bearing Trees	884	884	872	872	0	900	(1000 TREES)
Total Trees	4412	4412	4600	4600	0	5000	(1000 TREES)
Beginning Stocks	425	425	425	425	1925	1925	(MT)
Production	33000	30000	38000	37000	0	38500	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	33425	30425	38425	37425	1925	40425	(MT)
Exports	24750	23166	28000	28000	0	29500	(MT)
Domestic Consumption	8250	6834	8500	7500	0	8425	(MT)
Ending Stocks	425	425	1925	1925	0	2500	(MT)
TOTAL DISTRIBUTION	33425	30425	38425	37425	0	40425	(MT)

Import Trade Matrix Macadamia, Inshell Basis			
Time Period	Mar - Feb	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Hong Kong	26		
South Africa	16		
Total for Others	42		0
Others not Listed	66		759
Grand Total	108		759
NB Yr End 2004 figures are Mar - Dec 2003 only			

Export Trade Matrix Macadamia, Inshell Basis			
Time Period	Yr End Feb	Units:	MT
Exports for:	2003		2004
U.S.	3342	U.S.	3412
Others		Others	
Japan	6788	Japan	5538
Belgium	2706	Belgium	1745
Hong Kong	1469	The Netherlands	1420
The Netherlands	1099	Germany	770
Germany	920	Hong Kong	613
Taiwan	447	Taiwan	224
Rep of Korea	227	United Kingdom	200
Canada	223	Rep of Korea	197
New Zealand	219	China	195
Spain	139	Spain	173
Total for Others	14237		11075
Others not Listed	5918		6790
Grand Total	23497		21277
<i>NB Yr End 2004 figures are Mar - Dec 2003 only</i>			